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Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554
FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

Amendment of the Part 69)
Allocation of General Support) CC Docket No. 92-222
Facility Costs)

REPLY COMMENTS

BellSouth Telecommunications, Inc. ("BellSouth") hereby submits its Reply Comments in the above-captioned proceeding.

In this proceeding, the Commission is inquiring whether or not it should change Section 69.307 of its rules to eliminate the exclusion of Category 1.3 investment from the general apportionment formula for General Support Facility ("GSF") investment. Most commenters, including BellSouth, support action by the Commission to correct the existing cost misallocations which occur under the current rule. Most, including BellSouth, also support affording price cap LECs the ability to revise their rates concurrent with the reallocation, either through exogenous treatment for the rule change or, as BellSouth suggested, through a Part 61 waiver. The Commission should act accordingly.¹

¹ BellSouth understands the position of some commenters which suggest that the Commission should raise the subscriber line charge cap concurrent with the proposed rule change, and BellSouth would not oppose such an increase. However, the Commission should bear in mind that as the need for additional rule changes are identified in the comprehensive separations and access charge review

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MFS correctly recognizes that allocations of common costs are inherently arbitrary from an economic cost point of view. However, MFS incorrectly contends that the Commission should base its cost allocation decisions on a determination whether the "proposed allocation will more closely reflect the hypothetical operation of market forces in a fully competitive market than does the present rule." BellSouth disagrees. First of all, MFS confuses cost allocation issues with service pricing issues. As BellSouth has contended in other related proceedings before the Commission, it is market conditions which should determine the amount of overhead each individual service should bear in its price. While BellSouth believes that the Commission should act to increase the flexibility which LECs have to establish rates for each of their service based upon market conditions, resolution of this more general issue is not necessary in order for the Commission to determine whether to adopt the GSF rule change it suggests.

The narrow proposal under consideration here is merely one designed to reverse a decision, previously made at the outset of the Commission's access rules, which was a deviation from the Commission's use of allocations factors based upon relative use. Inclusion of subscriber line

¹(...continued)
proceedings which the Commission must undertake, other changes impacting the common line category, including further increases in subscriber line charges, may be necessary.

investment from the GSF general apportionment formula would have been consistent with related allocation rules developed at the time. However, the Commission chose to exclude this investment in order to avoid the impact of higher charges in the common line category which would have otherwise resulted. In the comprehensive separations and access charges proceedings which BellSouth, and many others, urge the Commission to undertake, more fundamental changes may be identified which impact the basis upon which cost allocations are determined, and it is to those proceedings which MFS should direct its concerns.


MFS also suggests that, if the Commission adopts the proposed change, LECs should be prohibited from lowering their DS1 and DS3 prices in response to the same extent as they lower prices for their other services. The Commission should reject this proposal also. Price cap LECs presently have a measure of flexibility to determine the rates for their various services, within the established caps and bands under the Commission's rules. MFS is suggesting that such flexibility be removed in favor of greater Commission intervention into the rate-setting process. However, additional restraints would not only fly in the face of the existing price cap rules, but would be a move in a direction diametrically opposed to that which the rapidly developing competitive access marketplace calls for: greater flexibility for all players to establish rates based upon

market needs and demands.

In summary, the parties overwhelmingly support the rule change which the Commission proposes. Given that the Commission has not yet undertaken the comprehensive review which BellSouth and many others have urged the Commission to initiate, the Commission should move forward by adopting the proposed rule and should allow price caps LECs to reflect the change either through a Part 61 Waiver, as BellSouth suggests, or through exogenous treatment. The Commission should not adopt the suggestions of MFS to impose even greater restraints upon LECs' than they presently have under the existing price caps rules. Rather, the Commission should act to assure, both in this proceeding and in the many other related proceedings, that LECs have that greater measure of flexibility which is needed and appropriate given the increasingly competitive access environment.

Respectfully submitted,

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DATE: December 21, 1992

CERTIFICATE OF SERVICE

I hereby certify that I have this 21st day of December, 1992 serviced all parties to this action with a copy of the foregoing REPLY COMMENTS by placing a true and correct copy of same in the United States mail, postage prepaid, to those persons listed on the attached service list.

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